UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/CONF.166/PC/9
1 November 1993

ORIGINAL: ENGLISH

PREPARATORY COMMITTEE FOR THE WORLD
SUMMIT FOR SOCIAL DEVELOPMENT
First session
31 January-11 February 1994
Item 4 of the provisional agenda*

ANALYSIS OF THE CORE ISSUES TO BE ADDRESSED BY THE SUMMIT AND POLICY MEASURES TO ATTAIN ITS OBJECTIVES IN ACCORDANCE WITH GENERAL ASSEMBLY RESOLUTION 47/92

Expert Meeting on the Expansion of Productive Employment

Note by the Secretary-General

1. In its decision 8 of 16 April 1993, the Preparatory Committee for the World Summit for Social Development 1/ requested the Secretary-General to organize, as part of the preparatory process for the Summit, expert meetings focused on the core issues of the Summit. It decided that the purpose of the input from experts in the field of social development was to provide expert opinion on contemporary, relevant research data on the respective core issues, both in the field of problem analysis and that of (possible) policy measures. To further that objective the meetings should be forums for scholarly exchange and should use the provisions of General Assembly resolution 47/92 as terms of reference for their work. The Preparatory Committee also requested the Secretary-General to forward the results of the expert meetings to it for consideration, as appropriate, at its first session.

2. In the same decision the Preparatory Committee accepted with appreciation the offer of the Governments of the Netherlands and Sweden to host and finance one such expert meeting each.

---

* A/CONF.166/PC/5.

1/ Official Records of the General Assembly, Forty-eighth Session, Supplement No. 24 (A/48/24), annex II.

3. The Expert Meeting on the Expansion of Productive Employment was organized by the United Nations and hosted by the Government of Sweden. It was held at Saltsjöbaden, Sweden, from 4 to 8 October 1993. The report of the Expert Meeting is annexed to the present note.

Annex

EXPERT MEETING ON THE EXPANSION OF PRODUCTIVE EMPLOYMENT
SALTSJÖBADEN, SWEDEN
4-8 OCTOBER 1993

1. Employment is the central element of development. It is the source of production and income. In most parts of the world, unemployment is worse today than at any time since the end of the Second World War. Societies have the knowledge and the means to overcome this problem. This, however, requires a degree of imaginative cooperation, which has been rare in recent history. In neither the industrialized nor the developing countries should current levels of unemployment and underemployment be accepted as an unavoidable component of modern society. It requires the elaboration and implementation of employment-oriented strategies and policies at the national and international levels.

2. We envisage a cooperative strategy based on national responsibility buttressed by international solidarity. National responsibility will be a commitment on the part of all countries to growth with macroeconomic stability, based on the efficient use of resources and policies towards the labour market that allow high and sustainable levels of productive employment.

3. This could be best achieved in an international environment of free flow of private investment, free trade, reversal on the part of industrialized countries of the recent trend towards protection directed against developing countries, and a new regime of international aid where the developed countries contribute according to their ability and aid is distributed on the criteria of need and effective use.

I. PRODUCTIVE EMPLOYMENT: CONCEPT AND TRENDS

4. Of a world labour force of 2.8 billion people, an estimated 30 per cent are not productively employed. More than 120 million people are registered as unemployed in the world. They are people who seek and are available for work, but cannot find it, not even for one hour a week. Many more - estimated at around 700 million people - are underemployed. They are the working poor. Many of them work for long hours, but since the productivity of their work is low, many do not earn enough to lift themselves out of poverty. They form the bulk of the estimated 1.1 billion absolute poor in the world. Given the increasing influx of new entrants into the labour market, the employment challenge will rise further in the years to come.

5. Productive employment provides people a place in society. People who are productively employed are people who are making a contribution to the economy and in return they receive an income that widens their opportunities and that of their families. The lack of productive employment marginalizes people, makes them dependent and denies them the possibility of planning their lives.

6. In economic terms, employment is productive when it adds at least as much to social product as the income for which the worker is willing to work and when that income exceeds the level of absolute poverty. Possessing neither capital nor land, many of the more than 1 billion poor people in the world can rely only on their labour to earn a living. So full and productive employment is the most effective method of combating poverty.

7. In most regions of the world unemployment and underemployment are rising rapidly. In the industrialized countries unemployment is forecast to reach 8.6 per cent in 1994, or 35 million people. The rate of unemployment will then be almost 12 per cent in Western Europe. This overall picture conceals considerable national variation. Particularly worrying is the rapid increase in long-term unemployment, the rise in unemployment in countries which have traditionally had low levels, and the fact that since the beginning of the 1970s the average rate of unemployment in Western Europe has risen from the trough of one business cycle to another.

8. Unemployment rates of over 15 per cent are now common in Eastern Europe, while in a few years such rates or higher are expected in the countries of the former Soviet Union. Poverty has also sharply increased, particularly in countries with high rates of inflation. Employment in the private sector is rising rapidly all over the region, but the process of mass lay-offs in the public enterprises has been very rapid and unemployment has increased dramatically in the economies in transition.

9. Most of the countries of sub-Saharan Africa have faced serious economic crises during the past two decades, which have exacerbated the unemployment problem. Urban unemployment is now reported to be about 20 per cent and is expected to rise further. More than 60 per cent of the urban labour force is in the informal sector, mainly involved in "survival" activities. In the rural areas underemployment affects well over 50 per cent of the labour force.

10. The countries of Latin America have gone through more than 10 years of adjustment policy and are now faced with high and increased levels of poverty and underemployment, principally in the urban informal sector. But urban open unemployment is now back at about 7 per cent - the same as levels reached in 1980. Recently, economic growth has increased in most countries of the region and inflation has been brought back to manageable levels.

11. In North Africa and the Middle East rates of unemployment range between 10 and 20 per cent. It is mainly the young people who have suffered unemployment, resulting in serious social and political unrest in some countries of the region. Financed - directly or indirectly - by booming oil revenues in the 1970s and 1980s, the public sector - including public enterprises - is comparatively well developed. As countries have only recently started the process of adjustment, it is expected that unemployment will continue to rise over the next few years.

12. The employment situation is different in East and South-East Asia. These economies also had to adjust to the hostile economic climate of the 1980s, but they did so more successfully than most - creating jobs and improving real incomes. The South Asian economies, mainly India and Pakistan, saw a distinct

improvement in growth, leading to reduced - but still high - levels of poverty and underemployment. About one half of the estimated 1.1 billion of the world's poor people live in South Asia and 15 per cent in East Asia. Following aggressive export strategies, the developing countries of East and South-East Asia have achieved high rates of economic growth and sharp reductions in poverty, and many of these economies are now beginning to experience labour shortages. China has also experienced rapid growth in productive employment and a reduction in poverty.

13. Policies for the expansion of productive employment will have to be designed in the new context of globalization. The spread of marketization and liberalization throughout the world has resulted in the rapid development of a series of global markets. Financial and commodity markets have become international, as have the flows of technology and management information within transnational corporations.

II. A COHERENT RESPONSE TO THE EMPLOYMENT CHALLENGE

14. There clearly is no single prescription for achieving higher rates of productive employment. Experience indicates that there are few easy methods of expanding employment and alleviating poverty, and that piecemeal efforts are generally insufficient. It is critically important, therefore, to pursue mutually reinforcing policies in several areas simultaneously.

15. A number of policies may be regarded as crucial: (1) promotion of sustainable high growth of effective demand; (2) achievement of macroeconomic stability with high levels of employment and distributive justice; (3) development of policies and institutions that encourage efficient functioning of the labour market; and (4) establishment of an overall system of incentives free of allocative distortions, thereby leading to higher productivity of resources. In addition, countries which have linked economic policies with human resource development and employment policies have had greater success in promoting employment. Policies in these areas will be facilitated and enhanced if the key national actors are enabled to participate in clearly understood and self-defined ways and if a sense of solidarity prevails. These issues will be further developed below.

16. Most jobs in the future are likely to be created outside the State sector in individual private and cooperative enterprises. These enterprises are fundamental to economic life; they express the initiative, creativity and freedom of individuals who, by organizing human and material resources, produce goods and provide services that contribute to the satisfaction of individual and societal needs. We take the view that the State should make enough room for individual private and cooperative enterprises to grow freely in a competitive market. In the developed countries, it is unlikely that existing large enterprises will be a source of employment growth in the future. In this context, small- and medium-sized enterprises are vital.

17. Although the State is not likely to be a primary source of job creation in the future, it will retain important economic and labour market functions. The role of the State is undergoing change which, in fact, may add to a Government's

responsibilities. The issue is to restructure or adapt governmental machinery to perform the tasks it has the potential to do best.

18. To begin, the State must create the enabling environment or the conditions for the private sector to function more efficiently. This includes the following measures: ensuring a proper legal framework (including the definition of property rights); establishing a comprehensive and readily understandable investment code and a stable investment environment; creating labour legislation which conforms with basic, non-discriminatory and realistic standards; carrying out sound fiscal policy; and constructing and maintaining the necessary infrastructure. It also means treating small and micro-enterprises in a non-discriminatory manner and ensuring that they have access to reasonably priced credit, training and technical support services. This latter condition can assume particular importance in developing countries. Overall then, each Government should establish the framework for pursuing high levels of productive and freely chosen employment as major goals of policy (in accordance with the objectives set out in the Employment Policy Convention, 1964 (No. 122) of ILO).

19. Where they exist, the representative organizations of workers and employers - the social partners - must also be closely involved in job creation. As key actors determining the nature of employment, they must consult and work together to arrive at decisions which achieve balance between flexibility of labour markets and security of employment, and between the private and the social good. In the process, freedom of association must be a fundamental right.

20. In most developing countries the vast majority of workers are not employed in the modern, organized sector. Many people work in precarious, marginally productive jobs. All workers should have the right to organize, and Governments should create the conditions within which the marginalized workers can form their own associations and express their interests. The established social partners should ensure that their actions are compatible with the economic interests of the many workers who currently are unorganized.

21. In addition, the move towards greater globalization of the world economy has far-reaching implications not only for the quantity, quality and distribution of jobs but also for social partnership itself. With increasing decentralization of operations and subcontracting across national boundaries, there is dispersion of production of the components which eventually constitute end products. This raises a new and complex set of issues regarding industrial relations.

22. We recognize that today's employment challenges call for new partnerships, broader coalitions and innovative forms of participation. Local authorities, cooperatives, volunteer groups, non-governmental organizations, women's organizations, church groups and associations of the liberal professions constitute an illustrative, but certainly not comprehensive list of groups, which - sometimes through active participation and productive involvement and other times through the encouragement or display of solidarity - can contribute to employment and development, while giving fuller meaning to social policy. It remains for each society to establish a democratic foundation and the

institutions and participatory mechanisms required to harness productive forces and channel manifestations of support from wherever they may originate.

III. ECONOMIC POLICY FRAMEWORK

23. A coherent response to the challenge of generating employment requires an analysis and understanding of mass unemployment in the context of prevailing economic policies. Many countries have treated unemployment passively, limiting interventions mainly to alleviating some effects of unemployment, rather than trying to counteract its sources and causes. For example, the impact of economic decisions on employment and the functioning of the labour market are often not considered; a question to be addressed is how economic policies might be changed in order to promote employment.

24. It is important to stimulate savings, investment and effective demand; it is also necessary to achieve financial stability. Tackling unemployment and poverty at the expense of the control of inflation is not a sound basis for social policy.

25. At root, inflation and the financial imbalances which can force currency devaluation are a symptom of the failure of institutions as well as economic actors to reconcile competing claims on resources. Fiscal deficits and excessive monetary growth usually emerge when government and the social partners have not achieved an accommodation of claims within the constraint of the resources available to the nation. The subsequent pursuit of lower inflation by means of narrowly framed monetary and fiscal policies aggravates poverty and unemployment in the short term and, in the medium to long term, weakens the ability of nations to manage their own economic destiny.

26. Exchange rates and interest rates that are set at or near their true value and policies aimed at achieving some degree of stability in these key economic variables are vital for the efficient use of resources and for fostering business confidence and a conducive investment climate. It is investment, in turn, which creates the resources for reducing poverty and unemployment.

27. While we agree that the problem of macroeconomic imbalance must be resolved, questions remain as to the pace of such adjustment. One school of thought urges "shock-therapy", while another school argues for more gradual reform. There is general agreement, however, that in the short term great care must be taken to offset the negative effects of stabilization policies through poverty alleviation measures and social safety nets.

28. Stabilization measures and structural adjustment programmes may coincide, but generally the former are introduced in the short to medium term, while the latter offer medium- to long-term solutions. Failure to carry out structural reforms is a recipe for continued economic deterioration and a weaker capacity to create jobs. Such components as liberalizing trade, restructuring industries, removing obstacles to the functioning of markets, altering patterns of demand and introducing appropriate incentive structures form a package which can establish the conditions for long-term growth and expansion of productive employment.

29. The ultimate objective and the ultimate test of the success or failure of structural adjustment lie in its effect on individuals, the citizens of those nations subjected to these reforms. Will they share equitably both the costs and benefits, will they be able to be part of the decisions affecting them, will they be prepared to adapt to the new social and economic circumstances resulting from the reforms? Structural reforms are therefore not merely economic but intimately linked with social concerns. Growth and the expansion of employment are related to other social objectives which cannot be addressed by considerations solely dictated by economic modelling.

30. As a result there is no single universal blueprint for adjustment. There is a need to address on a country-by-country basis the questions, adjustment to what? and what kind of adjustment? The programmes must be tailor-made or adapted to the particular requirements of each country. The timing and the scale of reforms, together with mechanisms permitting participation in the decision-making process of those affected by the reforms, can facilitate their acceptance and implementation. National consensus on structural reforms is essential for their success.

31. At the same time, just as we have chosen to place in a global perspective our definition of today's employment problem and the associated challenges it presents, we would be remiss if we viewed adjustment solely in a national context. There is a need for coordinated efforts to improve the world's economic performance and to lay the groundwork for renewed employment growth at national levels.

32. Current rates of growth in the world's output are inadequate to overcome the accumulated problems of unemployment and poverty. In view of the importance of the industrialized countries in the world economy, their ability to resume growth will have a vast impact on global employment levels. This should be combined with the reduction of restrictions, especially on imports from developing countries. This does not mean that developing countries should wait for recovery in developed countries before pursuing their own growth strategies.

IV. SECTORAL POLICIES

33. The employment challenge confronting many developing countries is partly a function of demographic and labour market trends in those countries. Sixty per cent of the population of developing countries lives in the rural areas. The vast majority of people depend primarily on agriculture for their livelihood, although non-farm activity now accounts for a significant and growing proportion of rural employment in Asia, North Africa and the Middle East. Agriculture remains the main source of employment and livelihood for rural women.

34. It has often been stated that any comprehensive response to the urban employment situation must redress certain conditions in the rural sector, with a view to reducing migration to towns and cities. This is particularly true for sub-Saharan Africa and, although the policy issues have been taken up in many other forums, we wish to at least outline here several of the more fundamental requirements for reform. These include (1) a movement away from a monocultural

primary production system to a more diversified production structure; (2) an effective land policy, which, taken together with correct food pricing, should encourage food production and labour absorption; (3) expansion and diversification of rural non-farm activities, with employment linkages to the agricultural sector; (4) the undertaking of environmentally appropriate programmes, such as afforestation and soil and water conservation programmes; (5) greater use of labour-intensive technologies, particularly in constructing and maintaining rural infrastructure; and (6) development efforts directed towards improving rural life as a whole.

35. In most developing countries, however, the long-term trend is towards increasing urbanization. In most Latin American countries, for example, over two thirds of the population now lives in the cities, compared with only one third 30 years ago. In sub-Saharan Africa, urbanization has proceeded at annual rates of 6 to 8 per cent and one third of the population is now urban, compared with only 10 per cent or so at the start of the 1960s.

36. In considering the urban informal sector, it is important to recognize that the sector is not homogenous. At one extreme are the very large numbers of people seeking to eke out a subsistence living, for whom work in the informal sector represents a survival strategy. At the other extreme are a much lower number of small and micro-enterprises and artisan industries with a demonstrated capacity to accumulate capital and expand employment. They possess an entrepreneurial spirit and an ability to take advantage of market conditions even in the midst of economic crisis. Solidarity plays a very important role in the evolution of small and micro-enterprises, and it is not inconsistent with principles of economic efficiency.

37. It is this more dynamic segment of the informal sector that should be helped to prosper and contribute to employment generation. To this end, the first requirement is to stop policies and practices which discriminate against the informal sector. Secondly, greater assistance should be offered through easier access to credit, training, technology and expanded markets. Finally, as some informal sector enterprises expand and take on aspects of formal enterprises, they should face easier access to licences and simplified tax procedures.

V. IMPROVING LABOUR MARKETS

38. A more open, less fragmented labour market serves to enhance overall efficiency, which should in most circumstances have a positive effect on the overall level of employment.

39. This raises the important issue of balance between flexibility and security. The starting-point is the fact that globalization trends and changing modalities of production across the world economy call for a greater and quicker ability to adapt within national economies. Enterprises more and more have to respond to changing competitive conditions globally as well as nationally. This requires changing product lines, production techniques and often downsizing. Labour market flexibility becomes an important part of this adaptation process.

40. While this flexibility helps the individual enterprise to remain competitive and may also serve the larger national economic interest, the worker whose self-identity is largely defined in terms of his or her work or employment status wishes for security. Ideally, from the worker's standpoint, this implies employment security combined with income security, but in a period of prolonged recession, many workers are prepared to sacrifice some income security in order to maintain their employment security.

41. Part of the answer lies in a growing acceptance by individual workers that a lifetime spent performing the same or related jobs with a single employer is increasingly becoming a phenomenon of the past. This has implications for their education and training. But for society as a whole, and particularly for government in setting policy, this points to a responsibility to facilitate the worker's adaptation and mobility and to offer social protection in the interim. We return shortly to both of these aspects.

42. An important issue in the discussion of employment expansion concerns the role of labour market regulation in the functioning of labour markets. Such regulations should be introduced with care to avoid distortions which impede the matching of labour supply and demand.

43. The legislation of minimum wages should be based on the recognition of their proper role, which is to protect the vulnerable segments of workers who are without bargaining power, not to try to price labour above levels which discourage the employment of the lowest-skilled workers.

44. There are, however, three other qualifications that we wish to offer. First, it is much easier to move workers out of unproductive industries when employment is growing rapidly and redeployment is aided by readily available training. Second, the whole debate over flexibility and security loses much of its meaning when transposed on the very large unorganized sectors of many developing countries where, because of the lack of social protection, having a job is paramount in a survival strategy. Third, for the individual, job loss quite often imposes a psychological as well as an economic cost because of the social stigma attached to unemployment; it therefore becomes politically and socially important to offer displaced workers the hope and the prospect of early re-employment.

Education and training

45. Education is the key to developing the individual's capability to adapt to changing circumstances. A good general education, in addition to ensuring literacy and numeracy, introduces communication, abstract reasoning and problem-solving skills, while helping to develop a broader cultural environment. It also lays a foundation for subsequently acquiring more narrowly defined skills and enabling individuals to renew, adapt or even change them more rapidly.

46. Employers in developed countries are increasingly looking for workers with a broad knowledge base, while the successful East Asian experience demonstrates the value of prioritizing spending on education and training in line with development needs.

47. In spite of this evidence, the record in a number of major industrialized countries has generally proved to be far from satisfactory. Some Governments have failed to promote good education for all and to give special attention to cultural differences, the needs of the poorest and the transition from school to work. Some education systems suffer from excessive rigidity. A high level of funds must go into general education but be used more efficiently and effectively, and educational structures should be adapted to the changing needs of the economy, in the pursuit of broadly defined societal educational requirements.

48. In developing countries, too, where education has been shown to help achieve other development and social policy objectives, improved access to and quality of primary and secondary schools must remain a priority. We emphasize especially for sub-Saharan Africa, however, the importance of vocational and apprenticeship training in job preparation.

Active labour market policies and social protection

49. In view of the need to facilitate worker adaptation to rapid changes in the economy, an important role emerges for policies aimed at improving the operation of labour markets, reducing skill mismatches and, more generally, reconciling labour supply and demand. In this context, particular importance should be attached to active labour market policies defined as purposive, mainly selective interventions by the Government in the pursuit of efficiency and equity objectives, acting directly or indirectly to improve the functioning of the labour market and the economy as a whole, to provide work and to increase the employability of individuals with certain disadvantages in the labour market. Training and retraining figure prominently among active labour market policies as well as such support services as job counselling, vocational guidance, mobility assistance and placement services. But active labour market policies also comprise such demand-related activities as subsidized private sector employment, including self-employment and direct job creation. Active labour market policies have to rely on effective employment services and efficient administration.

50. Another aspect of employment promotion and labour market policy is fostering more equal access to jobs and better jobs for groups discriminated against for various reasons. Discrimination on grounds of race, religion, ethnicity or national origin can often take subtle forms, but a basic goal of policy should be the elimination of legally sanctioned or open discrimination. Older workers face increasing obstacles in the labour market in industrial countries, while discrimination against women - resulting in situations where they are underemployed but overworked - is still pervasive even though progress is being made in some areas. Far too many young people remain idle, often caught up in a fruitless search for a role in society. In all countries, special attention must be given to providing young people with better opportunities of finding a meaningful first job.

51. Active labour market policies may greatly assist in this process, as most such measures are targeted mainly on particular groups in the labour force such as unemployed youth, the long-term unemployed, disabled persons or demobilized soldiers, to cite some categories. But to these groups, workers displaced by

structural and technological change and reductions in military expenditures should be added as a category of growing importance. Since a virtue of active labour market policies is that they can be introduced selectively, job retraining and counselling, often combined with relocation assistance, represent the set of measures that can most usefully be applied to assist displaced workers and thereby facilitate structural change.

52. Therefore, while theoretically they can be looked upon as instruments of either social or economic policy, it is strongly recommended that they be viewed as forms of economic intervention. In fact, they could be seen as a strategic component of improving labour market functioning and facilitating industrial restructuring and overall structural change.

53. However, to view active labour market policies as a set of instruments of economic policy does not rule out a related role for social policy. In fact by broadening the coverage of social security or providing other forms of income maintenance set at appropriate levels, workers should be encouraged to combine training and job search. This form of social protection offers an extremely useful complement to the application of active labour market policies.

54. Finally, as with most policy measures, active labour market policies operate more effectively when subject to coordination by the key actors involved. For instance, training mismatches are more likely to be reduced or avoided if there is consultation and some degree of coordination among employers, education institutions and public employment services.

VI. THE ROLE OF THE INTERNATIONAL COMMUNITY

55. There is a need for a global strategy from which everybody will gain. Free trade is a critical element in such a strategy. Reorienting foreign aid towards poverty eradication is the second element. The employment implications of freer international migration is a related issue.

Free international trade

56. An international strategy for the promotion of productive employment must be based on a universal recognition of the principle of free trade. As free trade is the key requirement to enable all nations to reap the benefits from a global division of labour, it is imperative to pursue the efforts to combat protectionism and to abolish trade restrictions. Countries should not shift their unemployment problems to other countries through protectionism.

57. In order to strengthen the capacities of the developing countries to compete in the global economy, the promotion of free trade might be linked with temporary and transparent measures to foster infant industries.

58. Over the past decade the developing countries have made a good deal of progress by gradually moving away from a regime of overvalued exchange rates and direct controls on trade. These countries should take reform in their trade

regime to its logical conclusion in order to create a more freely trading world economy and improve the efficiency with which they allocate their own resources.

59. Many industrialized countries have moved in the opposite direction. It is estimated that 20 of the 24 countries members of the Organisation for Economic Cooperation and Development are, on balance, more protectionist now than they were 10 years ago and that their increased protectionism is often directed against the products in which poor countries have a comparative advantage. These countries have also used "voluntary" export constraints and anti-dumping clauses to limit imports. In agricultural markets, imports are severely curtailed through quantitative restrictions and the imposition of minimum prices, while the agricultural exports of these same countries are heavily subsidized. All these protectionist measures reduce aggregate demand and employment creation in the industrialized countries and reduce employment opportunities in export sectors of Eastern Europe and the developing countries.

Regional integration: stepping stone or stumbling block?

60. Regional trading blocs can be a stepping stone to increased world output and employment, if two conditions are met. First, these arrangements must meet the criteria of the General Agreement on Tariffs and Trade. Second, the process must take place within the context of world trade liberalization.

61. In Europe, trade has been increasing - not only within the European Community but also between the Community, the countries of the European Free Trade Area and Eastern European countries. So further intra-European trade liberalization could have powerful employment effects. However, if Europe were not to accept the adjustment to a more open world trade system, this would not only increase unemployment within Europe, but also outside it. Similarly, failure to conclude the treaty to establish the North American Free Trade Area would harm American job prospects and constitute a stumbling block for freer world trade. Yet a major difficulty arises in the establishment of regional trading blocs: the fear of many workers who feel threatened by the prospect of losing their jobs to cheap foreign competition. As mentioned previously, Governments and social partners should design active labour market policies to retrain and create new jobs for workers in declining industries.

62. Regional economic integration in the developing countries has so far been less successful, since trade within blocs has been smaller than that between them. In addition, the size of these markets is still too small to reap the main benefit from regional integration, which is economies of scale. Although the trade within these trading blocs has generally been increasing faster than their overall trade, on balance, they should remain trade creating and not trade diverting.

Foreign direct investment

63. The majority of developing countries are eager to attract foreign direct investment and see in it a valuable package of capital and technology transfer. However, flows of foreign direct investment have so far been concentrated on a limited number of middle-income developing countries and some economies in transition.

64. Spreading the potential positive impact of foreign direct investment to a wider range of countries and to a wider proportion of the population, and avoiding any adverse effects, depends to a large extent on the policies of developing and transition countries themselves. Of particular importance to maximizing the employment creation possibilities of foreign direct investment is the ILO Declaration of Principles on multinational enterprises and social policy. It covers a range of issues, including training and industrial relations, which are a valuable guideline for national policies. Having been adopted by Governments, employers and trade unions, it provides a sound basis for dialogue and action.

Aid and international solidarity

65. It is time to encourage a greater reorientation of foreign aid towards the elimination of poverty and the expansion of productive employment. With the increasing globalization of economic and political issues, the question of solidarity can no longer be kept within national boundaries.

66. When there are immediate threats of starvation, the international community now feels the obligation to intervene directly with aid. This is a significant step forward in world consciousness, but it should not stop there. The international community also has the responsibility to ensure that poor countries can help themselves to overcome poverty.

67. The reorientation of foreign aid would seek to concentrate (1) on the low-income countries rather than on middle-income developing countries and high-income countries, some of which receive substantial aid for political reasons; (2) on the production of food rather than on food aid, which often disrupts local production and serves the interests of rich country producers; and (3) on investments in infrastructure which - directly or indirectly - lead to the expansion of productive employment. In addition, the reduction of foreign debt should receive urgent consideration.

68. The eligibility of developing countries for aid should be determined by their demonstrated success in applying policies which lead to reduced poverty and higher levels of employment. This could lead to reducing detailed conditionality and give the Governments of selected developing countries greater latitude in designing their own long-term policies.

69. Developed countries are encouraged to maintain and enhance their commitment to providing foreign aid, which should be focused on employment creation in areas of poor countries where conditions would push people towards international migration.

70. However, much needs to be done to improve coordination among the international and national aid agencies. National and institutional donor interests are all too often an obstacle to the effective delivery of coherent strategies at the country level.

71. Humanitarian aid in situations of famine or natural disasters should be conditioned only by the assurance that the delivery mechanisms guarantee, as far as possible, that it reaches the people for whom it is intended. All other aid

should be concentrated on job creation and poverty alleviation in countries where respect for basic human rights has created conditions where government is accountable to citizens. This is the best method of convincing taxpayers in the donor countries that their money is being spent to help the poor work themselves out of poverty, the best method of avoiding a dependency culture and the best method of limiting expensive and intrusive systems of conditionality and monitoring.

Freer international migration

72. The view was expressed that the freer movement of capital and goods should be accompanied by a freer movement of labour. The pressure for international migration has been rising because of widening wage differentials between Eastern and Western Europe; between North and South America; between Europe and Africa; and between Japan and South-East and South Asia. For fear of unemployment the rich countries restrict the inflow of migrants, even though illegal migration is on the rise.

73. It could be argued that industrialized countries are inconsistent when closing their borders to unskilled workers from developing countries, which, at the same time, are advised to open their economies for the import of goods from the developed countries. Some experts pointed out that the expansion of productive employment is mainly a national responsibility. As an intermediate solution, it was proposed that the capacity of the developing countries to achieve these objectives would be enhanced through the accelerated reduction of import barriers. Everyone agreed that when migrants have been allowed in a country, they should not be discriminated against. Racism and xenophobia are a threat to democracy.